

FEDERAL RESERVE SYSTEM

Banco Comercial Português, S.A.  
Oporto, Portugal

Banco Português do Atlântico, S.A.  
Oporto, Portugal

BCP-IF S.G.P.S., Lda  
Lisbon, Portugal

BPA Internacional, S.G.P.S. Sociedade Unipessoal Lda  
Funchal, Madeira, Portugal

Banco Português do Atlântico (USA), Inc.  
Newark, New Jersey

Order Approving Formation of Bank Holding Companies and  
Acquisition of a Bank

Banco Comercial Português, S.A. (“Banco Comercial”), Banco Português do Atlântico, S.A. (“Atlântico”), BCP-IF S.G.P.S., Lda, BPA Internacional, S.G.P.S. Sociedade Unipessoal Lda, and Banco Português do Atlântico (USA), Inc. (“BPA-USA”) (collectively, “Applicants”), have requested the Board’s approval under section 3(a)(1) of the Bank Holding Company Act (“BHC Act”) (12 U.S.C. § 1842(a)(1)) to become bank holding companies by acquiring up to 100 percent of the voting shares of BPABank, National Association, Newark, New Jersey (“Bank”), a de novo national bank to be established by Atlântico.<sup>1</sup> BPA-USA would be the direct parent company of Bank.

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<sup>1</sup> Banco Comercial recently has consummated mergers with other Portuguese banking organizations and is in the process of completing an internal corporate reorganization. Banco Comercial has provided the Board with assurances that the acquisition of Bank by the resulting organization will be done in compliance with the BHC Act.

Notice of the application, affording interested persons an opportunity to comment, has been published (64 Federal Register 53,390 (1999)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors enumerated in section 3 of the BHC Act.

Banco Comercial, with consolidated assets of \$62 billion, is the largest banking organization in Portugal.<sup>2</sup> Atlântico, a Banco Comercial subsidiary, operates internationally through numerous branches and agencies, including a state-licensed branch in New York, New York, and a state-licensed agency in Miami, Florida. Through their subsidiaries and affiliates, Banco Comercial and Atlântico also engage in and outside Portugal in a variety of nonbanking activities, including asset management, real estate and equipment leasing, and investment banking.

#### Competitive and Convenience and Needs Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly. The BHC Act also prohibits the Board from approving a proposed acquisition that would substantially lessen competition or tend to create a monopoly in any relevant banking market, unless the anticompetitive effects of the proposal clearly are outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.<sup>3</sup>

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<sup>2</sup> Asset and ranking data are as of January 1, 2000, adjusted to reflect transactions recently consummated by Banco Comercial, and use exchange rates then in effect.

<sup>3</sup> 12 U.S.C. § 1842(c)(1).

Consummation of the proposed transaction would result in the establishment of a de novo bank in the relevant banking market and thereby would increase the number of alternative sources of banking products and services available to customers. In addition, the Board previously has noted that the establishment of a de novo bank enhances competition in affected banking markets and reflects positively on competitive considerations in an application under section 3 of the BHC Act.<sup>4</sup> Moreover, there is no evidence that the proposed transaction would create or further a monopoly or lessen competition in any relevant banking market. Accordingly, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in any relevant banking market and that competitive considerations are consistent with approval.<sup>5</sup>

The BHC Act also requires the Board to consider the effect of the transaction on the convenience and needs of the communities to be served, and the Board has reviewed the information presented by Banco Comercial related to the convenience and needs factor. The Board concludes, based on all the facts of record, that the considerations relating to the convenience and needs of the communities to be served are consistent with approval.

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<sup>4</sup> See Canadian Imperial Bank of Commerce, 85 Federal Reserve Bulletin 733 (1999); see also Wilson Bank Holding Company, 82 Federal Reserve Bulletin 568 (1996).

<sup>5</sup> On consummation of the proposal, New Jersey will be the home state of Applicants and Bank for purposes of the BHC Act. The proposed transaction therefore is not barred by section 3(d) of the BHC Act. See 12 U.S.C. §§ 1841(o)(4), 1842(d). New York is Atlântico's home state for purposes of the International Banking Act ("IBA") and the Board's Regulation K. See 12 U.S.C. § 3101 et seq. and 12 C.F.R. § 211 et seq.

### Financial, Managerial, and Supervisory Considerations

The BHC Act requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved in a bank acquisition proposal. In assessing the financial and managerial strength of Banco Comercial, Atlântico, and their affiliates, the Board has reviewed information provided by Applicants, confidential supervisory and examination information, and publicly reported and other financial information. The capital ratios of Banco Comercial and Atlântico exceed the minimum levels that would be required under the Basle Capital Accord and are considered equivalent to the capital ratios that would be required of a U.S. banking organization. In light of these and all the facts of record, the Board concludes that the financial and managerial resources and future prospects of Applicants and Bank are consistent with approval.

Section 3 of the BHC Act also provides that the Board may not approve an application involving a foreign bank unless the bank is “subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in the bank’s home country.”<sup>6</sup> The home country supervisor of Banco Comercial is the Bank of Portugal. In approving applications under the BHC Act and the IBA, the Board has determined that

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<sup>6</sup> 12 U.S.C. § 1842(c)(3)(B). Under Regulation Y, the Board uses the standards enumerated in Regulation K to determine whether a foreign bank that has applied under section 3 of the BHC Act is subject to consolidated home country supervision. See 12 C.F.R. § 225.13(a)(4). Regulation K provides that a foreign bank will be considered to be subject to comprehensive supervision or regulation on a consolidated basis if the Board determines that the bank is supervised and regulated in such a manner that its home country supervisor receives sufficient information on the worldwide operations of the bank, including its relationship to any affiliates, to assess the bank’s overall financial condition and its compliance with law and regulation. See 12 C.F.R. 211.24(c)(1).

other Portuguese banks were subject to comprehensive consolidated supervision by the Bank of Portugal.<sup>7</sup> In this case, the Board finds that the Bank of Portugal supervises Banco Comercial in substantially the same manner as it supervises those other banks. Based on this finding and all the facts of record, the Board concludes that Banco Comercial is subject to comprehensive supervision on a consolidated basis by their home country supervisor.

In addition, section 3 of the BHC Act requires the Board to determine that a foreign bank has provided adequate assurances that it will make available to the Board such information on its operations and activities and those of its affiliates that the Board deems appropriate to determine and enforce compliance with the BHC Act.<sup>8</sup> The Board has reviewed the restrictions on disclosure in relevant jurisdictions in which Banco Comercial and Atlântico operate and has communicated with relevant government authorities concerning access to information. In addition, Banco Comercial and Atlântico have committed to make available to the Board such information on the operations of Banco Comercial, Atlantico, and any of their affiliates that the Board deems necessary to determine and enforce compliance with the BHC Act, the IBA, and other applicable federal law. Banco Comercial and Atlântico also have committed to cooperate with the Board to obtain any waivers or exemptions that may be necessary to enable Banco Comercial and Atlântico to make such information available to the Board. In light of these commitments, the Board concludes that Banco Comercial and Atlântico have

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<sup>7</sup> See Banco Espírito Santo, et.al., 86 Federal Reserve Bulletin 418 (2000); see also Caixa Geral de Depósitos S.A., 85 Federal Reserve Bulletin 774 (1999).

<sup>8</sup> See 12 U.S.C. § 1842(c)(3)(A).

provided adequate assurances of access to any appropriate information that the Board may request. Based on these and all the facts of record, the Board concludes that the supervisory factors it is required to consider are consistent with approval.

### Conclusion

Based on the foregoing, and in light of all the facts of record, the Board has determined that the application should be, and hereby is, approved.<sup>9</sup> The Board's approval specifically is conditioned on compliance by Banco Comercial and Atlântico with all the commitments made in connection with this application and on the Board's receiving access to information on the operations or activities of Banco Comercial, Atlântico, and any of their affiliates that the Board deems to be appropriate to determine and enforce compliance by Banco Comercial, Atlântico, and their affiliates with applicable federal statutes. If any restrictions on access to information on the operations or activities of Banco Comercial, Atlântico, and their affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Banco Comercial, Atlântico, or their affiliates with applicable federal statutes, the Board may require or, when appropriate, recommend to the Office of the Comptroller of the Currency, termination of any of Banco Comercial's or Atlântico's direct or indirect activities in the United States. All the commitments and conditions on which the Board has relied in reaching its decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

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<sup>9</sup> In a separate action, the Board today approved under the IBA the application of Banco Comercial to establish a representative office in Miami, Florida.

This transaction shall not be consummated before the fifteenth calendar day after the effective date of this order, and the proposal may not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Federal Reserve Bank of New York, acting pursuant to delegated authority.

By order of the Board of Governors, effective June 30, 2000.<sup>10</sup>

(signed)

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Robert deV. Frierson  
Associate Secretary of the Board

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<sup>10</sup> Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Kelley and Gramlich. Absent and not voting: Governor Meyer.